

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Capital Area Michigan Works	County Ingham
Fiscal Year End 6/30/07	Opinion Date 12/10/07	Date Audit Report Submitted to State December 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

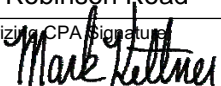
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	To Follow		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673



Lansing, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

CAPITAL AREA MICHIGAN WORKS!

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

December 10, 2007

Board of Directors
Capital Area Michigan Works!
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of ***Capital Area Michigan Works!*** as of and for the year ended June 30, 2007, and the aggregate remaining fund information as of and for the year ended December 31, 2006, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of ***Capital Area Michigan Works!*** as of June 30, 2007, and the aggregate remaining fund information as of December 31, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the respective years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2007, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Organization has not presented Management's Discussion and Analysis as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Capital Area Michigan Works!* basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of *Capital Area Michigan Works!*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

BASIC FINANCIAL STATEMENTS

Capital Area Michigan Works!

Statement of Net Assets and Governmental Fund Balance Sheet June 30, 2007

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 195,744	\$ -	\$ 195,744
Accounts receivable	58,875	-	58,875
Due from other governments	1,409,657	-	1,409,657
Prepaid items	78,112	-	78,112
Capital assets being depreciated, net	-	73,004	73,004
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,742,388</u>	<u>73,004</u>	<u>1,815,392</u>
Liabilities			
Accounts payable	\$ 1,314,834	-	1,314,834
Accrued liabilities	71,680	-	71,680
Unearned revenue	2,000	-	2,000
Accrued compensated absences	-	99,094	99,094
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,388,514</u>	<u>99,094</u>	<u>1,487,608</u>
Fund balances			
Unreserved, undesignated	<u>353,874</u>	<u>-</u>	<u>353,874</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,742,388</u>		
Net assets			
Invested in capital assets		73,004	73,004
Unrestricted		<u>254,780</u>	<u>254,780</u>
		<u> </u>	<u> </u>
Total net assets		<u>\$ 327,784</u>	<u>\$ 327,784</u>

The accompanying notes are an integral part of these financial statements.

Capital Area Michigan Works!
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental:			
Federal grants	\$ 9,761,021	\$ -	\$ 9,761,021
State grants	1,307,116	-	1,307,116
Charges for services	739,228	-	739,228
Interest earnings	13,843	-	13,843
Other revenues	15,200	-	15,200
	<u>11,836,408</u>	<u>-</u>	<u>11,836,408</u>
 Total revenues	 <u>11,836,408</u>	 <u>-</u>	 <u>11,836,408</u>
 Expenditures/expenses			
Workforce development:			
Personnel	1,756,152	4,607	1,760,759
Facilities	801,727	-	801,727
Participant training and support	2,504,165	-	2,504,165
Service delivery costs	6,090,992	-	6,090,992
Other costs and charges	654,780	(59,031)	595,749
Depreciation	-	32,657	32,657
	<u>11,807,816</u>	<u>(21,767)</u>	<u>11,786,049</u>
 Total expenditures/expenses	 <u>11,807,816</u>	 <u>(21,767)</u>	 <u>11,786,049</u>
 Change in net assets	 28,592	 21,767	 50,359
 Fund balance/net assets			
Beginning of year, as restated	<u>325,282</u>	<u>(47,857)</u>	<u>277,425</u>
 End of year	 <u><u>\$ 353,874</u></u>	 <u><u>\$ (26,090)</u></u>	 <u><u>\$ 327,784</u></u>

The accompanying notes are an integral part of these financial statements.

Capital Area Michigan Works!
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal grants	\$ 8,821,287	\$ 10,125,596	\$ 9,761,021	\$ (364,575)
State grants	1,096,281	1,287,980	1,307,116	19,136
Charges for services	1,740,000	1,740,000	739,228	(1,000,772)
Interest earnings	-	2,000	13,843	11,843
Other revenues	3,000	4,000	15,200	11,200
Total revenues	11,660,568	13,159,576	11,836,408	(1,323,168)
Expenditures/expenses				
Workforce development	11,630,000	13,140,000	11,807,816	(1,332,184)
Change in net assets	30,568	19,576	28,592	9,016
Fund balances/net assets				
Beginning of year, as restated	332,892	332,892	325,282	(7,610)
End of year	<u>\$ 363,460</u>	<u>\$ 352,468</u>	<u>\$ 353,874</u>	<u>\$ 1,406</u>

The accompanying notes are an integral part of these financial statements.

Capital Area Michigan Works!
Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
December 31, 2006

Assets

Investments:

Money market funds	\$ 820,865
Common stocks	650,410
Mutual funds	1,111,316
Government securities	55,581
Participant loans	<u>123,019</u>

Total investments	2,761,191
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Cash and cash equivalents	11,298
Contributions receivable	35,764
Accrued interest receivable	<u>652</u>

**Net assets held in trust for pension
and other employee benefits**

\$ 2,808,905

The accompanying notes are an integral part of these financial statements.

Capital Area Michigan Works!
Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended December 31, 2006

Additions to net assets

Investment income:

Net appreciation in fair value of investments	\$ 66,200
Interest and dividends	<u>127,037</u>

Total investment income	<u>193,237</u>
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Contributions:

Employer	187,123
Participants	<u>16,919</u>

Total contributions	<u>204,042</u>
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Total additions	<u>397,279</u>
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Deductions from net assets

Participant distributions	148,467
Participant benefits, net of reimbursements	<u>19,315</u>

Total deductions	<u>167,782</u>
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Increase in net assets	229,497
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Net assets held in trust for pension benefits:

Beginning of year, as restated	<u>2,579,408</u>
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End of year	<u><u>\$ 2,808,905</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Capital Area Michigan Works! (the “government” or “Organization”) was organized to administer various federal and state employment training programs funds and other state grants in Clinton, Eaton and Ingham counties.

The Organization administers the day-to-day operations related to the employment and training programs under the direction of the Administrative Board, which is composed of members from the three counties and the cities of Lansing and East Lansing. The Organization is both the administrative entity and the grant recipient for federal, state, local and private funds.

The Organization’s Workforce Development Board is appointed by the Administrative Board and consists of various individuals representing the private sector, government and nonprofit organizations from the three-county area. The Workforce Development Board provides policy guidance and oversight services for all activities of the Organization.

B. Government-wide and fund financial statements

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 34, the Organization uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The general fund, the only major individual governmental fund, is reported as a separate column in the aforementioned financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial information and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports its *general fund* as a major governmental fund. The general fund is the government's primary operating fund. It accounts for all financial activity, including activities associated with providing job training and one-stop center revenue and expenses. Sources include grants received from the state and federal governments.

Additionally, the Organization reports the following fiduciary funds (each of which are reported on a December 31, 2006 year end):

The *employee money purchase pension plan* accounts for the activities of the defined contribution pension plan sponsored by the Organization.

The *deferred compensation plan* accounts for the activities of the Organization's deferred compensation plan.

The *retiree health benefit plan* accounts for the activities of the Organization's postemployment healthcare plan.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

When restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

D. Assets, liabilities and net assets/equity

1. **Deposits and investments.** The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments. The pension and other employee benefit trust funds are authorized by the Michigan Pension Investment Act, as amended, to invest in common stocks, real estate and various other investment instruments. Investments are reported at fair value.
2. **Capital assets.** Capital assets, including vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years or more. Such assets are recorded at historical cost. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight line method over five years for vehicles and three years for equipment.
3. **Compensated absences.** Individual employees have vested rights upon termination of employment to receive payments for certain paid time off, in accordance with procedures outlined in the personnel policies. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee resignations or retirements.
4. **Fund equity.** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
5. **Federal and state grant revenue.** Grant revenue is recorded when the related qualifying expenditures have been incurred. Amounts received in excess of earned revenues are reported as unearned revenues.
6. **Cost allocation.** Shared costs are allocated to benefiting programs using various allocation methods, depending on the nature of the costs being allocated. Whenever possible, costs are charged directly to each program; shared costs are those costs incurred for the common benefit of two or more programs that cannot be readily attributed to a single cost objective.

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

7. *Use of estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
8. *Income taxes.* The Organization is a consortium of governments organized under Michigan Public Act 7 of 1967 and is exempt from federal and state income taxes.
9. *Budgetary accounting.* An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The budget document presents information by activity and line item. The Administrative Board approves the original budget at the beginning of the fiscal year; amendments, if any, are approved periodically during the year.

II. DETAILED NOTES

A. Deposits and investments

A reconciliation of cash and investments as shown on the statement of net assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of net assets -

Cash and cash equivalents	\$ 195,744
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Statement of fiduciary net assets:

Cash and cash equivalents	11,298
Investments	<u>2,761,191</u>
	<u>\$ 2,968,233</u>

Classification of deposit and investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 112,915
Investments (general)	93,977
Investments (fiduciary funds)	2,761,191
Cash on hand	<u>150</u>
	<u>\$ 2,968,233</u>

Investments (general) - At June 20, 2007, the Organization's investments amounting to \$93,977 were limited to money market accounts which have no maturity date and are not subject to credit rating.

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

Investments (fiduciary funds) - The fair value of fiduciary fund investments as of December 31, 2006 was as follows:

	<u>Amount</u>	<u>Rating</u>
Money market funds	\$ 820,865	n/a
Common stocks	650,410	n/a
Mutual funds	1,111,316	n/a
Government securities -		
U.S. treasuries	55,581	n/a
Participant loans	<u>123,019</u>	n/a
	<u>\$ 2,761,191</u>	

Deposit and investment risk information

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned. State law does not require and the Organization does not have a policy for deposit custodial credit risk. As of year end, none of the Organization's bank balance of \$112,437 (book balance was \$112,915) was exposed to custodial credit risk as it was entirely insured.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Organization does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Organization's investment policy does not have specific limits on concentration of credit risk; there were no holdings in excess of five percent of the total fiduciary fund portfolio balance.

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

B. Due from other governmental units

The following is a summary of the amounts due from other governmental units, primarily the Michigan Department of Labor & Economic Growth, for the various grant programs as of June 30, 2007:

Employment Services	\$ 69,587
Prisoner Reentry	48,778
Work First	266,784
Work First - GF/GP	46,056
Jobs Education Training Program	21,246
WIA Admin Cost Pool	62,151
WIA Adult	152,009
WIA Youth	282,019
WIA Youth - HS Completion (Type N)	3,170
WIA Dislocated Worker	147,559
WIA - Work First/TANF Replacement	18,367
WIA One-Stop Operations	113,554
Incumbent Worker - Statewide Activities	25,928
Incumbent Worker - SWA _D	3,741
RSA - Construction	2,482
RSA - Information Technology	8,428
Reed Act - Work First	3,997
Disability Program Navigator	3,211
Trade Adjustment Act	101,968
Food Assistance Employment Training	28,622
	<u><u>\$ 1,409,657</u></u>

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets being depreciated:				
Equipment	\$ 323,196	\$ 37,496	\$ 5,238	\$ 355,454
Vehicles	38,161	40,615	38,161	40,615
Total capital assets being depreciated	361,357	78,111	43,399	396,069
Less accumulated depreciation for:				
Equipment	303,279	20,963	5,238	319,004
Vehicles	11,448	11,694	19,081	4,061
Total accumulated depreciation	314,727	32,657	24,319	323,065
Governmental activities capital assets, net	\$ 46,630	\$ 45,454	\$ 19,080	\$ 73,004

D. Payables

Payables are 100 percent vendors and subrecipients.

E. Compensated absences

The following is a summary of changes in paid time off for the Organization for the year ended June 30, 2007:

Beginning Balance	Additions	Reductions	Ending Balance
\$ 94,487	\$ 4,607	\$ -	\$ 99,094

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

F. Lease commitment

The Organization leases a facility for operation of its programs. The operating lease payments for the year ended June 30, 2007, were \$479,629. Future minimum lease payments on non-cancelable leases as of June 30, 2007, are as follows:

<u>Year Ended</u>	<u>Amount</u>
2008	\$ 522,077
2009	537,520
2010	553,252
2011	553,252
2012	553,252
2013-2016	<u>1,124,380</u>
Total	<u><u>\$ 3,843,733</u></u>

G. Lessor activity

The Organization subleases office space in the One-Stop facility to unrelated third parties. The terms of the leases require varying base rental amounts. Rental income for these leases for the year ended June 30, 2007, totaled \$104,184. Future minimum rental income as of June 30, 2007 is as follows:

<u>Year Ended</u>	<u>Amount</u>
2008	\$ 108,544
2009	62,458
2010	12,707
2011	<u>13,068</u>
Total	<u><u>\$ 196,777</u></u>

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

H. Adjustments

Following is an explanation of the adjustments between the governmental fund balance sheet and the statement of net assets, which reconciles fund balances to net assets:

Fund balance	\$ 353,874
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Adjustments:

Capital assets used in governmental activities are not financial resources and therefore not reported in the general fund.

Add - capital assets	396,069
Deduct - accumulated depreciation	(323,065)

Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore not reported in the general fund.

Deduct - compensated absences	<u>(99,094)</u>
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Net assets	<u><u>\$ 327,784</u></u>
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Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net change in fund balance	\$ 28,592
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Adjustments:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	78,111
Deduct - depreciation expense	(32,657)
Deduct - loss from disposition of capital assets	(19,080)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not reported as Expenditures in the general fund.

Deduct - increase in accrual for compensated absences	<u>(4,607)</u>
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Change in net assets	<u><u>\$ 50,359</u></u>
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CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

IV. OTHER INFORMATION

A. Employee money purchase pension plan

The Organization has a defined contribution money purchase pension plan covering substantially all employees. The employer is exempt from the Social Security Retirement System; as such, OASDI (old age, survivors and disability insurance) payroll taxes are not paid. Accordingly, the employer contributes annually an amount equal to 25% of eligible salaries and wages. Employees are not required or allowed to contribute to the plan. The plan assets are managed by Fidelity Investments.

Plan provisions and contribution requirements were established and may be amended, subject to statutory limitations, by the Organization's Administrative Board. For the year ended June 30, 2007, the Organization's total and covered payroll was \$695,393; the employer contribution amounted to \$173,848.

Because the plan assets are, in substance, held by the Organization, the plan is reported as a pension trust fund in the accompanying fiduciary fund financial statements.

B. Deferred compensation plan

The Organization has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, employee contributions are discretionary subject to regulatory limitations. No employer contributions are made to the plan. The value of the plan assets at December 31, 2006 was \$290,715; employee contributions for the year were \$16,919.

Because the plan assets are, in substance, held by the Organization, the plan is reported in the fiduciary fund financial statements as an other employee benefits trust fund.

C. Postemployment health care benefits

The Organization is the sponsor of a postemployment health benefit plan; the plan was effective January 1, 1997. The Retiree Medical Benefit Plan/Trust provides health benefits to qualified retirees and eligible spouses. To qualify, retirees must not be eligible to receive any other substantially equivalent postemployment health benefit from another source, must have completed at least 20 years of service with the sponsor (25 years for spouse's benefit), and age plus years of service must equal or exceed 75. The Organization may periodically contribute such amounts as it determines necessary; for the year ended December 31, 2006, employer contributions were \$13,891. Employees and retirees may not contribute to the plan. The sponsor has the right under the plan to modify the benefits, discontinue contributions and/or terminate the plan. As of June 30, 2007, three retirees were eligible for and receiving benefits under the plan.

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

As a phase three government as defined under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Organization is not required to adopt this standard until its fiscal year ending June 30, 2010. While the Organization has elected not to early adopt GASB 45, it has had an annual actuarial valuation of the plan completed. As of December 31, 2006, the date of the latest actuarial valuation of the plan, the actuarial accrued liability for the plan was \$640,606 and the actuarial value of the plan assets was \$218,017, resulting in an unfunded actuarial accrued liability of \$422,589. Further information regarding the actuarial valuation and the related methods and assumptions are provided in that actuarial valuation report.

The retiree health benefit plan is reported in the fiduciary fund financial statements as an other employee benefits trust fund.

D. Risk management

The Organization is exposed to various risks of loss including general and automobile liability, property damage, employee dishonesty, and workers' compensation for which the Organization carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

E. Restatements

The beginning fund balance of the general fund and beginning net assets of the governmental activities was decreased by \$7,610 for a prior year fringe benefit bank accrual that was not reported. Also, the beginning net assets of the retiree health benefit plan trust fund was increased by \$559,802 primarily to conform with reporting the plan net assets in accordance with governmental accounting standards wherein a liability for the actuarial benefit obligation is not recorded in the financial statements but rather disclosed in the notes to the financial statements.

F. Pension and Other Employee Benefit Trust Fund Information

A summary of the financial results as of December 31, 2006 for the employee money purchase pension plan, deferred compensation plan, and retiree health benefit plan are presented on the following page.

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

Statement of Plan Net Assets - December 31, 2006

	Employee Money Purchase Pension Plan	Deferred Compensation Plan	Retiree Health Benefit Plan	Total
Assets				
Investments:				
Money market funds	\$ 686,023	\$ 129,457	\$ 5,385	\$ 820,865
Common stocks	451,958	40,160	158,292	650,410
Mutual funds	990,992	120,324	-	1,111,316
Government securities	-	-	55,581	55,581
Participant loans	<u>123,019</u>	<u>-</u>	<u>-</u>	<u>123,019</u>
Total investments	2,251,992	289,941	219,258	2,761,191
Cash and cash equivalents	3,356	144	7,798	11,298
Contributions receivable	35,134	630	-	35,764
Accrued interest receivable	<u>-</u>	<u>-</u>	<u>652</u>	<u>652</u>
Net assets held in trust for pension and other employee benefits	<u><u>\$ 2,290,482</u></u>	<u><u>\$ 290,715</u></u>	<u><u>\$ 227,708</u></u>	<u><u>\$ 2,808,905</u></u>

CAPITAL AREA MICHIGAN WORKS!

Notes to Financial Statements

Statement of Changes in Plan Net Assets - Year Ended December 31, 2006

	Employee Money Purchase Pension Plan	Deferred Compensation Plan	Retiree Health Benefit Plan	Total
Additions to net assets				
Investment income:				
Net appreciation in fair value of investments	\$ 48,421	\$ 4,796	\$ 12,983	\$ 66,200
Interest and dividends	106,285	15,198	5,554	127,037
Total investment income	154,706	19,994	18,537	193,237
Contributions:				
Employer	173,232	-	13,891	187,123
Participants	-	16,919	-	16,919
Total contributions	173,232	16,919	13,891	204,042
Total additions	327,938	36,913	32,428	397,279
Deductions from net assets				
Participant distributions	17,501	130,966	-	148,467
Participant benefits, net of reimbursements	-	-	19,315	19,315
Total deductions	17,501	130,966	19,315	167,782
Increase (decrease) in net assets	310,437	(94,053)	13,113	229,497
Net assets held in trust for pension and other employee benefits:				
Beginning of year, as restated	1,980,045	384,768	214,595	2,579,408
End of year	\$ 2,290,482	\$ 290,715	\$ 227,708	\$ 2,808,905

SINGLE AUDIT

Capital Area Michigan Works!
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed-through Michigan Department of Labor and Economic Growth to Michigan Works Agencies:		
Food Stamps	10.561	\$ 233,477
U.S. Department of Labor		
Passed-through Michigan Department of Labor and Economic Growth to Michigan Works Agencies:		
Employment Services	17.207	712,587
Reed Act - Work First	17.225	52,497
Trade Adjustment Assistance	17.245	241,747
Disability Program Navigator	17.266	32,211
Workforce Investment Act - Adult	17.258	
Adult		1,406,847
Capacity Building		17,006
Youth High Concentration		10,315
Incumbent Worker		35,649
Performance Incentive		3,606
RSA Healthcare		12,638
RSA Information Technology		1,991
RSA Construction		10,861
RSA Support Work First		4,338
Service Center		46,190
Administration and One-Stop Operations		129,484
Total Workforce Investment Act - Adult		1,678,925
Workforce Investment Act - Youth Activities	17.259	
Youth Activities		1,578,819
Capacity Building		18,490
Youth High Concentration		11,214
Incumbent Worker		38,758
Performance Incentive		3,917
RSA Healthcare		13,726
RSA Information Technology		2,164
RSA Construction		11,808
RSA Support Work First		4,717
Service Center		50,218
Administration and One-Stop Operations		140,690
Total Workforce Investment Act - Youth Activities		1,874,521

continued...

Capital Area Michigan Works!
Schedule of Expenditures of Federal Awards (concluded)
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Expenditures
U.S. Department of Labor (concluded)		
Passed-through Michigan Department of Labor and Economic Growth to Michigan Works Agencies (concluded):		
Workforce Investment Act - Dislocated Workers	17.260	
Dislocated Worker		1,491,024
Scholarship		75,502
Capacity Building		36,504
Youth High Concentration		22,141
Incumbent Worker		76,521
Performance Incentive		6,818
RSA Healthcare		22,850
RSA Information Technology		4,273
RSA Construction		23,314
RSA Support Work First		9,312
Serice Center		99,146
Administration and One-Stop Operations		252,670
Total Workforce Investment Act - Dislocated Workers		<u>2,120,075</u>
Total U.S. Department of Labor		<u>6,712,563</u>
U.S. Department of Health and Human Services		
Passed-through Michigan Department of Labor and Economic Growth to Michigan Works Agencies:		
Temporary Assistance For Needy Families	93.558	<u>2,814,981</u>
Total Expenditures of Federal Awards		<u><u>\$ 9,761,021</u></u>

CAPITAL AREA MICHIGAN WORKS!

Notes to Schedule of Expenditures of Federal Awards

1. SECTION I - SUMMARY OF AUDITORS' RESULTS

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of Capital Area Michigan Works! (the "Organization"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of Capital Area Michigan Works! is defined in Note I of the Organization's basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note I of the Organization's basic financial statements.

3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Organization provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Food Assistance Employment Training	10.561	\$ 209,296
Employment Services	17.207	588,121
Reed Act - Work First	17.225	46,051
Workforce Investment Act:		
Adult	17.258	1,367,551
Youth	17.289	1,343,333
Dislocated Worker	17.260	1,449,602
Temporary Assistance for Needy Families	93.558	2,159,553



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

December 10, 2007

Board of Directors
Capital Area Michigan Works!
Lansing, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Capital Area Michigan Works!* (the "Organization") as of and for the year ended June 30, 2007, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Organization's management in a separate letter dated December 10, 2007.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

December 10, 2007

Board of Directors
Capital Area Michigan Works!
Lansing, Michigan

Compliance

We have audited the compliance of *Capital Area Michigan Works!* (the "Organization") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, Capital Area Michigan Works! complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Capital Area Michigan Works! is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by an entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.

CAPITAL AREA MICHIGAN WORKS!
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? _____ yes X no

CAPITAL AREA MICHIGAN WORKS!
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no
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SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

* * * * *